



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

September 15, 2003

BUDGET LETTER -- CAPITAL OUTLAY

TO: University and Community College Presidents

Fiscal Year 2005 Capital Outlay Budget Information
Due Date: November 7, 2003

Michigan colleges and universities may submit capital outlay requests for fiscal year 2005. Pursuant to Section 242 (2) of 1984 Public Act 431, colleges and universities must have on file with the Office of the State Budget, 5-Year Capital Outlay comprehensive plans regardless of whether they are submitting a fiscal year 2005 capital outlay request. At a minimum, the 5-Year Capital Outlay plan should cover fiscal year 2005 through fiscal year 2009. No capital outlay request will be considered for funding without its inclusion in a corresponding 5-Year Capital Outlay plan.

The 5-Year Capital Outlay plans should be revised as appropriate and approved annually by each institution's Board of Trustees, or applicable governing body. These plans are to evaluate all capital priorities in light of current programming efforts, anticipated programming changes, and the current capital base. This includes both self-funded projects, and those in which state financing participation is requested. The Office of the State Budget, working with Infrastructure Services within the Department of Management and Budget, has developed a set of minimum criteria which the comprehensive planning documents are to incorporate. These criteria are listed in Attachment "A" and remain largely unchanged from fiscal year 2004.

College and university requests for capital projects will be carefully reviewed and evaluated, and balanced against other competing capital outlay and statewide budget priorities for inclusion in the Executive Budget Recommendation. Current and anticipated budget pressures indicate that minimal funding will be available for major capital projects in fiscal year 2005.

All project requests must comply with 1964 Public Act 183, the State Building Authority Act, regarding the use of State Building Authority bond

revenues. Pursuant to Office of the State Budget policy, only projects which address specific academic or research needs will be supported. In addition, those projects which demonstrate significant return on investment in terms of economic development, job growth and sustainability will be given priority consideration. Preference will also be given to those projects that creatively re-adapt, re-use, or renovate existing facilities in order to utilize embedded infrastructure, and promote re-investment in central campuses. Due to limited resources, those projects with significant recreational, entertainment, or community-oriented components will not be considered. Single projects to renovate and/or construct multiple, independent facilities will also not be considered.

Submission to the Office of the State Budget

Annual requests for major capital projects should be the logical extension of information contained in the comprehensive 5-Year Capital Outlay plan. This plan is intended to provide state policymakers with the most current information available on institutional needs. Institutions can modify their plan as activity occurs within a fiscal year by submitting supplementary materials to the Office of the State Budget.

Due to budgetary pressures, universities and colleges should submit only their top priority capital outlay request. Attachment "B" contains the sample format for submitting fiscal year 2005 capital outlay budget requests. Please utilize this format to submit a project for consideration. If you desire a copy of the electronic template in either WordPerfect or Microsoft Word format, please e-mail Kris Kokx at kokxk@michigan.gov with your request.

*Please submit three copies of your 5-year comprehensive master plan, and three copies of your major capital outlay project request for fiscal year 2005 by **Friday, November 7, 2003**, to the attention of Ms. Lisa Shoemaker, Capital Outlay Coordinator, Office of Education and Infrastructure, Office of the State Budget, George W. Romney Building, 111 South Capitol, P.O. Box 30026, Lansing, Michigan 48909.*

If any capital outlay projects are included in the fiscal year 2005 Executive Budget, only planning authorization will be recommended, consistent with the capital outlay process in the DMB Act, 1984 Public Act 431. After planning is authorized in an appropriations bill, professionally-developed design documents must be prepared by the college or university in order to secure state support for

construction. Once professionally-developed design documents have been completed and approved for authorized projects, state funding will provide a maximum of 75% for universities, and 50% for community colleges, of the total cost of each project.

Please be advised that planning authorization approval does not guarantee Executive support for future construction authorization. A full assessment of the State Building Authority bond cap vis-à-vis other potential capital outlay needs will be a pre-condition to advancing projects beyond the planning stage. In addition, the preliminary estimated cost for a proposed project, as provided by the college or university, will be transmitted to the Legislature. Projects whose final planning costs significantly exceed this original estimate will be carefully scrutinized.

I look forward to working with you in developing the fiscal year 2005 Executive Budget Recommendation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary A. Lannoy".

Mary A. Lannoy
State Budget Director

Attachments

cc: Budget and Financial Officers
State Building Authority
Infrastructure Services
House Fiscal Agency
Senate Fiscal Agency
Office of Education and Infrastructure

Recommended 5-Year Master Plan Components - Michigan Colleges and Universities:

I. Mission Statement

Summary description of the overall mission of the institution.

II. Instructional Programming

As part of the 5-year capital outlay master plan, each College and University must provide an overview of current academic programs and major academic initiatives. This “instructional programming” component should:

- a. Describe existing academic programs and projected programming changes during the next 5 years, in so far as academic programs are affected by specific structural considerations (i.e., laboratories, classrooms, current and future distance learning initiatives, etc.);
- b. Identify the unique characteristics of each institution’s academic mission:

For Universities:

Major research institution, technical/vocational center, geographic service delivery area(s), community presence activities, etc.

For Community Colleges:

Two-year degree and certificated technical/vocational training, workforce development activities, adult education focus, continuing or lifelong educational programming, partnerships with intermediate school district(s), community activities; geographic service delivery area(s), articulation agreements or partnerships with 4-year institutions, etc.

- c. Identify other initiatives which may impact facilities usage;
- d. Demonstrate economic development impact of current/future programs (i.e., technical training centers, Life Science Corridor and Tri-Technology Corridor initiatives, etc.).

III. Staffing and Enrollment

Colleges and universities must include staffing and enrollment trends in the annual 5-year comprehensive master plans. This component should:

- a. Describe current full- and part-time student enrollment levels by academic program and define how the programs are accessed by the student (i.e., main or satellite campus instruction, collaboration efforts with other institutions, Internet or distance learning, etc.);

- b. Project enrollment patterns over the next five years (including distance learning initiatives);
- c. Evaluate enrollment patterns over the last five years;
- d. Provide instructional staff/student and administrative staff/student ratios for major academic programs or colleges;
- e. Project future staffing needs based on 5-year enrollment estimates and future programming changes;
- f. Identify current average class size and projected average class size based on institution's mission and planned programming changes.

IV. Facility Assessment

A professionally developed comprehensive facilities assessment is required. The assessment must identify and evaluate the overall condition of capital facilities under college or university control. The description must include facility age, use patterns, and an assessment of general physical condition. The assessment must specifically identify:

- a. Summary description of each facility (administrative, classroom, biology, hospital, etc.) according to categories outlined in "net-to-gross ratio guidelines for various building types," DMB-Office of Design and Construction Major Project Design Manual, appendix 7. If facility is of more than one "type", please identify the percentage of each type within a given facility.
- b. Building and/or classroom utilization rates (Percentage of rooms used, and percent capacity). Identify building/classroom usage rates for peak (M-F, 10-3), off-peak (M-F, 8-10 am, 3-5 pm), evening, and weekend periods.
- c. Mandated facility standards for specific programs, where applicable (i.e. federal/industry standards for laboratory, animal, or agricultural research facilities, hospitals, use of industrial machinery, etc.);
- d. Functionality of existing structures and space allocation to program areas served;
- e. Replacement value of existing facilities (insured value of structure to the extent available);
- f. Utility system condition (i.e., heating, ventilation, and air conditioning (HVAC), water and sewage, electrical, etc.);
- g. Facility infrastructure condition (i.e. roads, bridges, parking structures, lots, etc.);
- h. Adequacy of existing utilities and infrastructure systems to current and 5-year projected programmatic needs;
- i. Land owned by the institution, and include a determination of whether capacity exists for future development, additional acquisitions are needed to meet future demands, or surplus land can be conveyed for a different purpose.

- j. What portions of existing buildings, if any, are currently obligated to the State Building Authority and when these State Building Authority leases are set to expire.

In the event that comprehensive, current physical facility assessments are not available, the 5-year capital outlay plan must include data from the most recent physical facility assessment and describe the schedule by which a new assessment will be completed.

V. Implementation Plan

The 5-year comprehensive master plan should identify the schedule by which the institution proposes to address major capital deficiencies, and:

- a. Prioritize major capital projects requested from the State, including a brief project description and estimated cost, in the format provided. (Adjust previously developed or prior years figures utilizing industry standard CPI indexes where appropriate).
- b. Define the impact of addressing deferred maintenance and structural repairs, including programmatic impact, immediately versus over the next five years.
- c. Include the status of on-going projects financed with State Building Authority resources and explain how completion coincides with the overall 5-year plan.
- d. Identify to the extent possible, a rate of return on planned expenditures. This could be expressed as operational “savings” that a planned capital expenditure would yield in future years.
- e. Where applicable, consider alternatives to new infrastructure, such as distance learning.
- f. Identify a maintenance schedule for major maintenance items in excess of \$1,000,000 for fiscal year 2005 through fiscal year 2009.

[College/University Name]
FY 2005 CAPITAL OUTLAY PROJECT REQUEST
[Project Name]
[Total Project Cost \$-----]

Is The Project A Renovation or New Construction ? Ren ____ New ____
Is There a 5 Year Master Plan Available ? Yes ____ No ____
(Projects will not be approved without a current 5-year plan
on file with the State Budget Office)
Are Professionally Developed Program Statement and / or
Schematic Plans Available Now? Yes ____ No ____
Are Match Resources Currently Available ? Yes ____ No ____
Has the University Identified Available Operating Funds? Yes ____ No ____

A. Project Description Narrative

Please include a general description of the project purpose. Also include the following items: new construction; renovation and / or addition; gross sq. ft; estimated total cost of project and estimate for each component or "phase" where applicable; estimated start and completion dates for construction; and estimated annual operating cost and fund source; impact on tuition and fee rates charged to students. Utilize as many pages as necessary, with an emphasis on conciseness.

B. Other Alternatives Considered

What alternative methods of addressing this capital project request were considered; i.e., long distance learning, renovation of other buildings on campus, re-evaluation of need for program, leasing of space, etc. Why were these alternatives not chosen? What are the programmatic implications should this project not be funded?

C. Programmatic Benefit to State Taxpayers and Specific Clientele or Constituencies

What is the benefit to state taxpayers for investing their tax dollars in this project? What is the benefit to students or other clientele or constituencies? What is the potential return on investment for this project?

D. Funding Resources

(Please provide as much information as possible including; fund source(s) identified for this capital outlay project – federal, state, private; and time frame for availability). Those willing to exceed minimum matching requirements will receive more consideration.